

FISCAL NOTE

HB 2521

February 7, 2006

SUMMARY OF BILL: Adds the cutting of hay, the cutting of grass, and the clearing of brush to the list of businesses, vocations, and occupations that are exempt from the Business Tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$11,900

Decrease Local Govt. Revenues - \$15,700

Assumptions:

- It is the legislative intent that these exceptions shall include the sales of services by these businesses or establishments so described in the Standard Industrial Classification (SIC) Index of 1972, including all supplements and amendments prepared by the Office of Management and Budget (OMB).
- According to the Department of Revenue (DOR), there are no classification entries in the SIC Index or in the North American Industry Classification System (NAICS) for the cutting of hay, the cutting of grass, or the clearing of brush.
- Correct SIC Index and NAICS classifications are implemented prior to the enactment of this legislation.
- The Tennessee Census of Agriculture estimated farm expenditures on custom work and hauling to be approximately \$27.0 million for 2002.
- According to the DOR, this would include hay baling, brush cutting, plowing, planting of crops, spraying pesticides and fertilizers, and harvesting.
- Industry growth from 2002 to 2007 averaged 1.75% per year.
- Tax base for FY06-07 is estimated at \$29.45 million (\$27.0 million X 1.75% growth X 5 years = \$29.45 million).
- 50% of base is generated from the cutting of hay, the cutting of grass, and the clearing of brush exclusively.

- Adjusted base for FY06-07 is \$14.72 million (\$29.45 million X 50% = \$14.72 million).
- The business tax rate on services is three-sixteenths (3/16) of one percent (1%) of the retail sales of a business.
- Business tax revenue is divided 43% to state and 57% to local.
- Total business tax revenue for FY06-07 is estimated at \$27,600 (\$14.72 million X 3/16 X 1% = \$27,600).
- The decrease of state revenues is estimated at \$11,900 (\$27,600 X 43% = \$11,868).
- The decrease in local government revenues is estimated at \$15,700 (\$27,600 X 57% = \$15,732).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director